

CORRECTED FISCAL NOTE

SB 2664 - HB 3067

February 17, 2004

SUMMARY OF BILL: Enacts the *Tennessee Agricultural Ethanol Production Act of 2004*, which would:

- encourage the production of fuel grade ethanol from Tennessee products for use in gasohol.
- provide an incentive payment of \$0.30 per gallon of ethanol produced according to the provisions of this act to each qualifying permittee.
- provide that such payments be made by the Department of Revenue from a one-time appropriation of \$6,000,000 from the revenues derived from state gasoline and gasohol taxes. A sum sufficient to pay for the administrative costs of this act would also be provided through these taxes.

ESTIMATED FISCAL IMPACT:

On February 9, a fiscal note was issued on this bill indicating *an increase in state expenditures of \$13,625 with an additional other fiscal impact of a one-time shift of \$6,013,625 from the proceeds of the gasoline tax to make payments to the companies identified in this legislation. This will result in a decrease in state appropriations of \$91,407 to the General Fund, \$2,858,276 to the Highway Fund, \$768,541 to the Debt Service Fund and \$2,295,400 to local governments.*

Since that time, the Department of Transportation has indicated that there would also be a loss of federal reimbursements totaling \$6,081,600. This would result in a decrease in revenues to the Highway Fund of \$6,081,600. Based upon this additional information, the estimated fiscal impact is as follows:

(Corrected Fiscal Note)

Increase State Expenditures - \$13,625 One-Time

Decrease State Revenues - \$6,081,600 / Highway Fund

Other Fiscal Impact - There will be a one-time shift of \$6,013,625 from the proceeds of the gasoline tax to make payments to the companies identified in this legislation. This will result in a decrease in appropriations of \$91,407 to the General Fund, \$2,858,276 to the Highway Fund, \$768,541 to the Debt Service Fund and \$2,295,400 to local governments.

Estimate assumes:

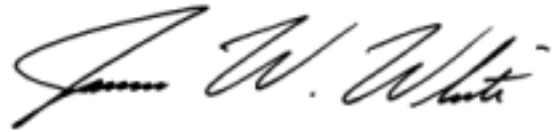
- There would be a cost of \$13,625 associated with software modifications, and a new license and refund claim form necessary for the implementation of this bill.

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- The decreases in state and local revenues are apportioned at the same percentages as the total revenue from gasoline tax collections in FY02-03.
- Payments from the gasoline tax will be limited to the \$6,000,000 plus a sum-sufficient for administrative expenses that are appropriated in accordance with the provisions of the bill.
- The decrease in state revenues results from a loss of federal highway reimbursement. Currently, the federal government reimburses the state 90.5% of their contribution to the Federal Highway Trust Fund. Gasoline is taxed \$0.052 more than gasohol. Assuming that 200 million gallons of gasohol will be taxed at a rate of \$0.132 per gallon versus the 180 million gallons of gasoline that would have been sold in the absence of this incentive and taxed at a rate of \$0.184 per gallon, there is a decrease of \$6,720,000 paid to the Federal Highway Trust Fund by Tennessee. Reimbursement at a rate of 90.5% on the \$6,720,000 would have resulted in \$6,081,600 more to the Highway Fund.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director